

**Congress of the United States**  
**Washington, DC 20515**

February 12, 2014

The Honorable Janet L. Yellen  
Chair  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave NW  
Washington, DC 20551

The Honorable Martin J. Gruenberg  
Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429

The Honorable Mary Jo White  
Chair  
The Securities and Exchange Commission  
100 F Street NE, Room 10700  
Washington, DC 20549

The Honorable Thomas J. Curry  
Comptroller of the Currency  
Office of the Comptroller of the Currency  
250 E Street SE  
Washington, DC 20219

The Honorable Mark P. Wetjen  
Acting Chairman  
U.S. Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street NW  
Washington, DC 20581

Dear Chair Yellen, Chairman Gruenberg, Chair White, Comptroller Curry, and Chairman Wetjen:

We are writing to express our support for interpretive guidance on the Volcker Rule's definition of an "ownership interest" that protects the intent of the Volcker Rule, while also recognizing that certain traditional creditor-protective voting rights should not, by themselves, cause senior debt securities of collateralized loan obligations (CLOs) to be treated as equity interests.

The Volcker Rule's prohibition on banks owning hedge funds and private equity funds is critically important, because it prevents banks from evading the ban on proprietary trading. We strongly support the prohibition on banks holding equity interests in hedge funds and private equity funds.

However, as you acknowledged in the proposed rule, the distinction between debt and equity securities is particularly complicated in the context of securitizations such as CLOs. In fact, the final rule recognized that, in certain circumstances (*i.e.*, in an event of default or acceleration event), the right to vote on removing an investment manager does *not* necessarily trigger an "ownership interest," because such voting rights are customary creditor-protective rights.

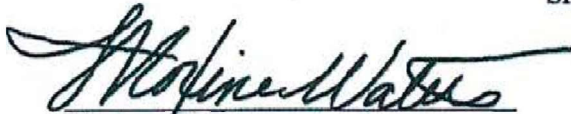
In the case of CLOs, the senior debt securities issued by the CLO typically include the right to vote to remove the investment manager not just in an event of default, but also "for cause," which typically includes a material breach of contract, fraud, and criminal activity. While

recognizing the need to prevent evasion of the final rule, we believe that the right to vote on removing an investment manager in traditional creditor-protective circumstances such as a material breach of contract should not, by itself, trigger an "ownership interest." Such a narrowly-tailored interpretation will align the definition of "ownership interest" with Congressional intent, while also guarding against evasion of the ownership restrictions.

As the agencies consider how to enable a smooth transition for existing senior CLO debt securities under any interpretive guidance, we urge the agencies to find a solution that, to the extent possible, avoids the need for unduly disruptive, market-wide renegotiations of existing CLOs.

We are strongly supportive of your work to craft and implement a strong Volcker Rule, and we appreciate your willingness to address these important concerns.

Sincerely,



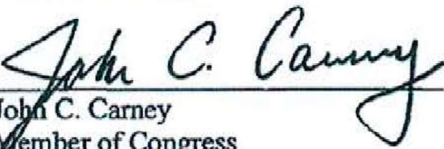
Maxine Waters  
Member of Congress



David Scott  
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Bill Foster  
Member of Congress



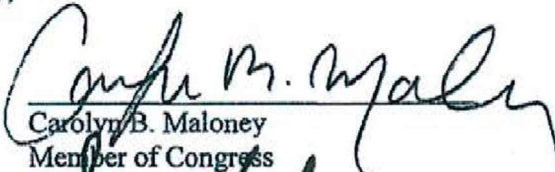
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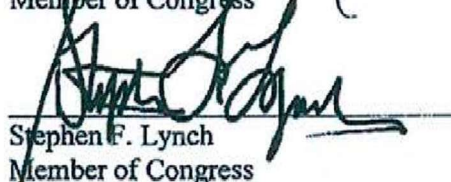
Gwen Moore  
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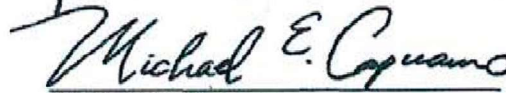
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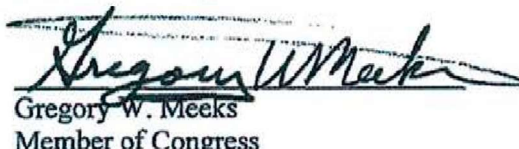
Carolyn B. Maloney  
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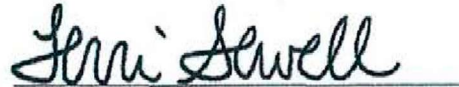
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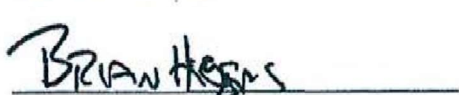
Michael E. Capuano  
Member of Congress



Gregory W. Meeks  
Member of Congress



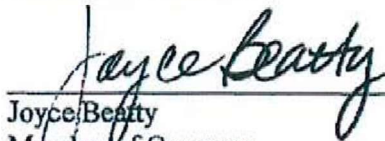
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